

# Fletcher Allen Health Care Green Mountain Care Board Budget Hearing



September 6, 2012

- Fletcher Allen is Responding to Enormous Challenges to:
  - Increase the value we deliver to our region by
    - Improving quality and safety
    - Improving access to needed services
    - Reducing costs: “bending the cost curve”
  - Reshape the region’s health care system to ensure sustainability and flexibility needed to adapt to the changing environment
  - Be financially and clinically “accountable” for the population we serve



OUR VISION 2015

“We are committed to the development of an Integrated Delivery System that provides high-value health care to the communities we serve and enhances our academic mission.”



# Fletcher Allen Partners - Shared Objectives

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- To establish an integrated regional health care system under the common control of the Fletcher Allen Partners which shall align the missions, clinical services and economic interest of the members as health care providers.
- To engage in collaborative regional planning to develop a highly coordinated health care network that will improve the quality, increase the efficiencies and lower the costs of health care delivery in the communities served.
- To provide the Fletcher Allen Partners with sufficient corporate authority to assure that the Shared Objectives can be promoted fully and that the aligned economic interests and missions of the members are fostered and pursued.

# Fletcher Allen Partners – Progress to Date

## ■ Central Vermont Medical Center, Inc. (CVMC) Integration

Located in Berlin, VT  
FY 2011 Annual Net Patient  
Revenue \$137,356,843

- ICU Care
- Stroke Protocols
- Supply Chain cost savings
- Cultural Assessment
- Quality Integration
- CVMC PHO Integration into VMC
- Common IT Platform

## ■ Future Partners

- Champlain Valley Physicians Hospital Medical Center (CVPH)
- Elizabethtown Community Hospital (ECH)
- Others TBD

CVPH is located in Plattsburgh, NY  
Annual Net Patient Revenue  
\$288,688,340 (FY 2011)

ECH is located in Elizabethtown,  
NY. Annual Net Patient Revenue  
\$17,500,241 (FY 2011)

# Complementary Integration Approaches

- Fletcher Allen Primary Care Re-Structuring
- Vermont Managed Care
  - Population data analytics
  - Care management projects, including chronic disease, ED utilization
  - Alternative payment reform pilot
- OneCare
  - Jointly organized by Fletcher Allen and Dartmouth Hitchcock Health to apply to CMS to be recognized as a state-wide Accountable Care Organization eligible for participation in the Medicare Shared Savings Program, starting January 1, 2013
  - Would have a state-wide network of participating providers that includes hospitals, Federally Qualified health Clinics, Rural Health Clinics, and physicians
  - Would be governed by a Board that includes broad representation by participating providers
  - If application is approved, OneCare would begin operation in January, with the objective of reducing costs for a state-wide population of Medicare beneficiaries in Vermont attributed to the participating providers, while meeting fixed quality measures established by CMS



- The Journey to High Reliability
  - A quality and efficiency strategy
  - Reduction in costly infections – getting to zero
    - Central line associated blood stream infections
    - Total joint infections
  - Supply chain reliability and efficiency
    - Top performer in UHC

# Fletcher Allen's Journey to High Reliability



## Quality and Safety Management Report

### Fletcher Allen Health Care

Jan - Mar 2012 (Q1)

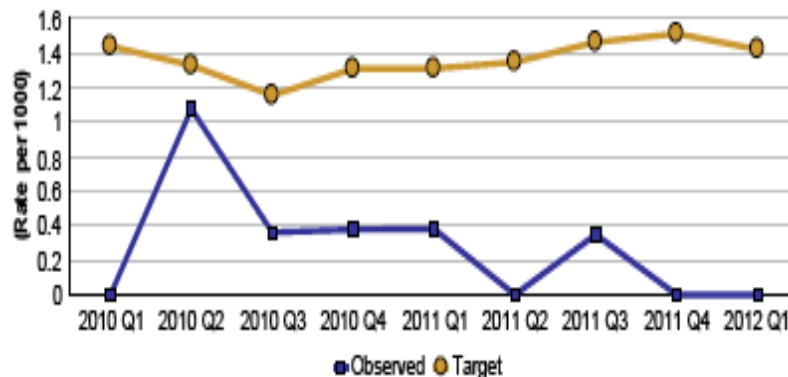
Other - PSI07 Central venous catheter-related bloodstream infections - Adults (Rate per 1000)

Jan - Mar 2012 (Q1)

Apr 2011 - Mar 2012 (recent year)

	Relative Performance	Denom (n)	Observed	Target	Rank		Relative Performance	Denom (n)	Observed	Target	Rank
Current Quarter	◎◎	2,742	0.0	1.4	29/119	Recent Year	◎◎	10,971	0.1	1.4	5/120

Other - PSI07 Central venous catheter-related bloodstream infections (Rate per 1000)



Recent Year UHC Top 10 in This Metric			Cases	O/E	Observed
ALBANY			17,279	0.00	0.00
UTAH			16,794	0.00	0.00
KECK			3,448	0.00	0.00
FROEDTERT			14,598	0.04	0.07
FLETCHER			10,971	0.06	0.09
ARIZONA			12,011	0.06	0.08
EMORY			12,205	0.08	0.16
CHICAGO			8,753	0.14	0.23
MICHIGAN			15,028	0.14	0.20
UMMHC-UMASS			25,446	0.14	0.20



## Fletcher Allen Performance – Efficiency Measures

- Vermont is low-cost and low-utilization relative to national comparisons
- Fletcher Allen is low-cost and low-utilization relative to:
  - Academic medical centers and IDSs
  - Other Medicare providers
  - Other Vermont HSAs

# Comparative Data - Association of American Medical Colleges

AAMC (COTH) 2011 Autumn Databook 2010 Results	Operating Margin	Patient Care Expense Discharge	Patient Care Exp Per Equivalent Patient Day	FTE per Occupied Bed	Capital Exp Per Discharge (CMI Adj)
Fletcher Allen	1.96%	\$12,021	\$2,181	5.33	\$479
Hitchcock	1.13%	\$15,001	\$3,029	5.29	\$374
Albany	3.40%	\$13,559	\$2,243	6.36	\$364
Brigham & Womens	5.05%	\$21,045	\$3,799	7.82	\$933
MASS General	6.19%	\$19,490	\$3,329	9.90	\$754
Median	4.48%	\$16,733	\$2,959	6.63	\$504
Top Quintile	2.02%	\$14,205	\$2,537	5.85	\$408

## Vermont Commercial Claims, 2008 – Ratio of Per-Member Per-Month Cost to State Average by Hospital Service Area

	Total	Hospital Service Area				
		Inpatient Hospital	Outpatient Hospital	Outpatient Radiology	Emergency Department	Physician Office
Central Vermont	0.99	0.94	1.06	1.06	1.00	1.00
Southwestern	1.16	1.43	1.19	1.06	1.50	1.17
Brattleboro	1.00	1.02	1.08	1.28	0.79	0.93
<b>FAHC</b>	<b>0.89</b>	<b>0.76</b>	<b>0.74</b>	<b>0.78</b>	<b>0.79</b>	<b>1.07</b>
Porter	0.96	1.10	0.83	0.72	0.86	1.15
Copley	1.01	1.18	1.05	0.89	0.71	0.90
North Country	1.10	1.14	1.44	1.08	1.57	0.71
Gifford	1.05	1.12	1.31	1.28	0.93	0.85
Rutland	1.18	1.47	1.26	1.39	1.14	1.02
Springfield	1.09	1.08	1.26	1.42	1.36	0.83
Northwestern	0.95	0.86	0.98	0.86	1.29	1.02
Northeastern	1.03	1.14	1.19	1.08	0.79	0.66
White River Jct.	1.12	1.02	1.21	1.36	0.93	0.85

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# Fletcher Allen FY2013 Budget

- Framework for many goals:
  - Recognizing unique role as safety net provider
  - Addressing the cost shift
  - Positioning us to continue leadership role in reform
  - Continuing to place us as a top quartile performer among AMCs on cost & quality
  - Supporting our long-stated aim – A-level bond rating
  - Yielding sufficient operating margin – 4% -- to meet capital needs



Does your budgeted increase in net patient revenue exceed 3.75%?

Response:

- Prior to allowable exemptions, net patient revenue increased by 7.87%

## Budget Questions: Continued

What specific exemptions are you requesting, and what expenditures are attributable to those exemptions?

Response:

### Requested Exemptions to State's 3.75 Net Revenue Cap

### Exemption Classification

Provider Tax	(5,078,074)	Net Changes in Provider Tax
Enhanced Medicaid Payments	(30,000,000)	Other Policy Changes State/Federal
VSH Additional Reimbursements (net revenue)	(2,000,000)	Vermont State Hospital
Payment and Delivery reform - I.T.	(3,767,694)	Health Reform
Payment and Delivery reform - Fletcher Allen Partners	(3,200,000)	Health Reform
<b>Total Requested Exemptions</b>	<b>(44,045,768)</b>	

### Reconciliation to State's 3.75% Revenue Cap

	FY 2012 Budget	FY 2013 Budget	Change from '12-'13 Budget	
			Amount	%
Net Revenue Prior to Provider Tax	940,846,349	1,014,846,513	74,000,163	7.87%
Requested Exemptions			(44,045,768)	
Change After Exemptions			29,954,395	3.18%

What accounts for any additional over-run in your budget beyond the allowed 3.75% net patient revenue increase if not explained by the factors listed above?

Response:

\$30 million in increased Medicaid reimbursement for graduate medical education and enhanced payments for professional services

- CMS approval still pending although incremental revenues budgeted
- No impact on State budget
- If approved, FAHC to increase annual academic support to UVM by \$14.3 million
- Exempt from revenue cap as “policy change at the federal and state level” (8/22 Rader Wallack letter to Brumsted)

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# Health Care Reform Vision, Investment and Benefits

What portion of your proposed budget is attributable to health reform investments? How do you calculate return on these investments? Please provide evidence of the return on investment in terms of improved health of the population you serve or reduced cost growth or both.

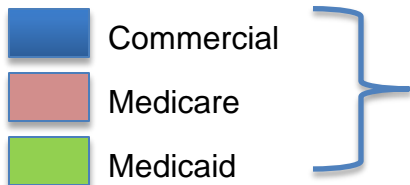
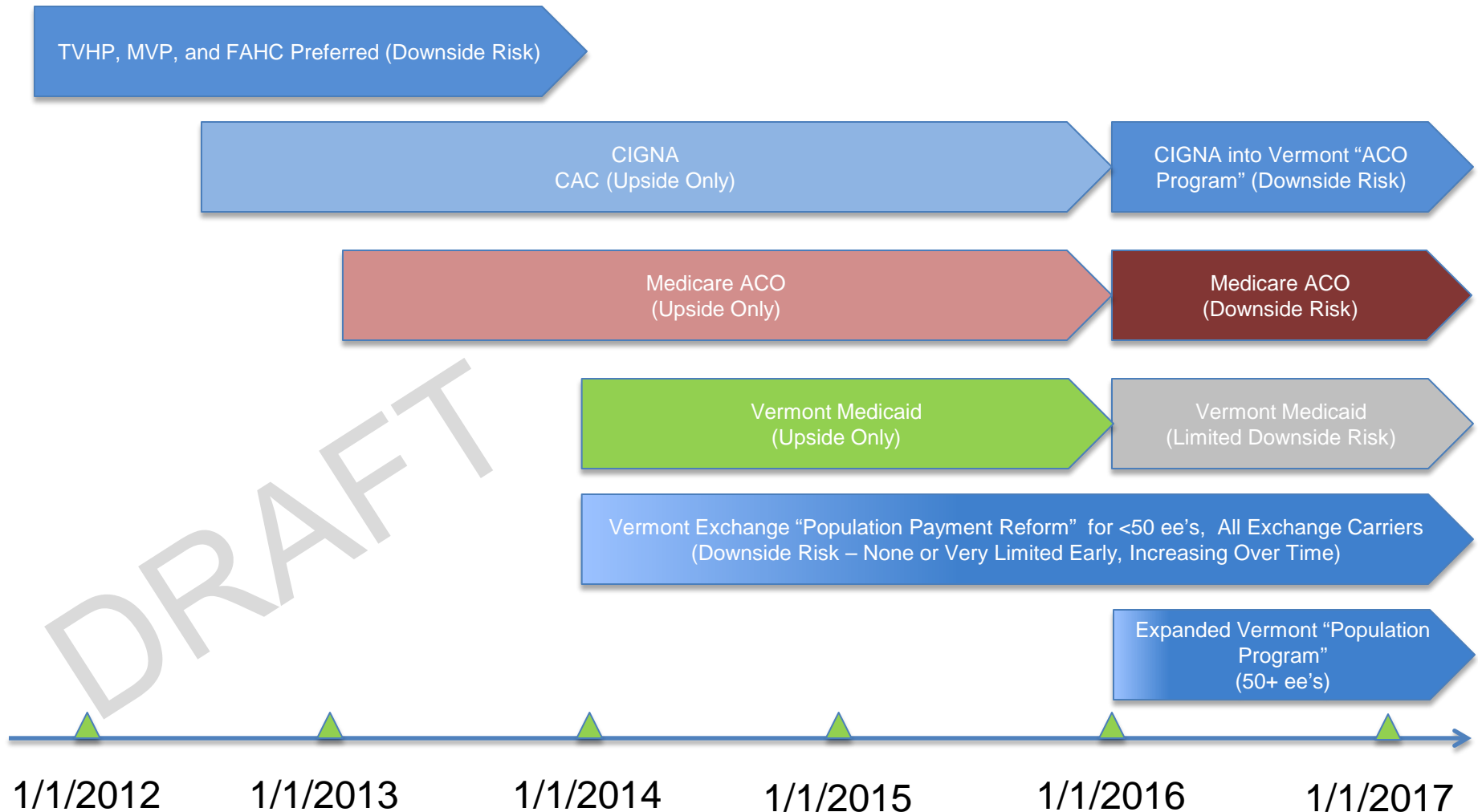
Response:

- \$20.8 Million
  - \$ 6.9 Million in FY 2013
  - \$13.9 Million existing/redeployed expenses



- **Key Point 1:** Fletcher Allen is already demonstrating health reform leadership.
  - Experience and performance results to date
    - Performance Results: Lowered cost curve in Vermont, Best PMPM of any HSA in Vermont (Arrowhead Group Study), UHC Rankings, COTH Benchmarking
    - Key Capabilities: Blueprint Leadership, Jeffords Institute, Vermont Managed Care, PRISM
  - Initiatives underway
    - OneCare Vermont Medicare ACO
    - CIGNA Collaborative Accountable Care
    - Strategic collaboration with the Vermont CO-OP

# Accountable Care – Draft Multi-Year/Multi-Payer Model

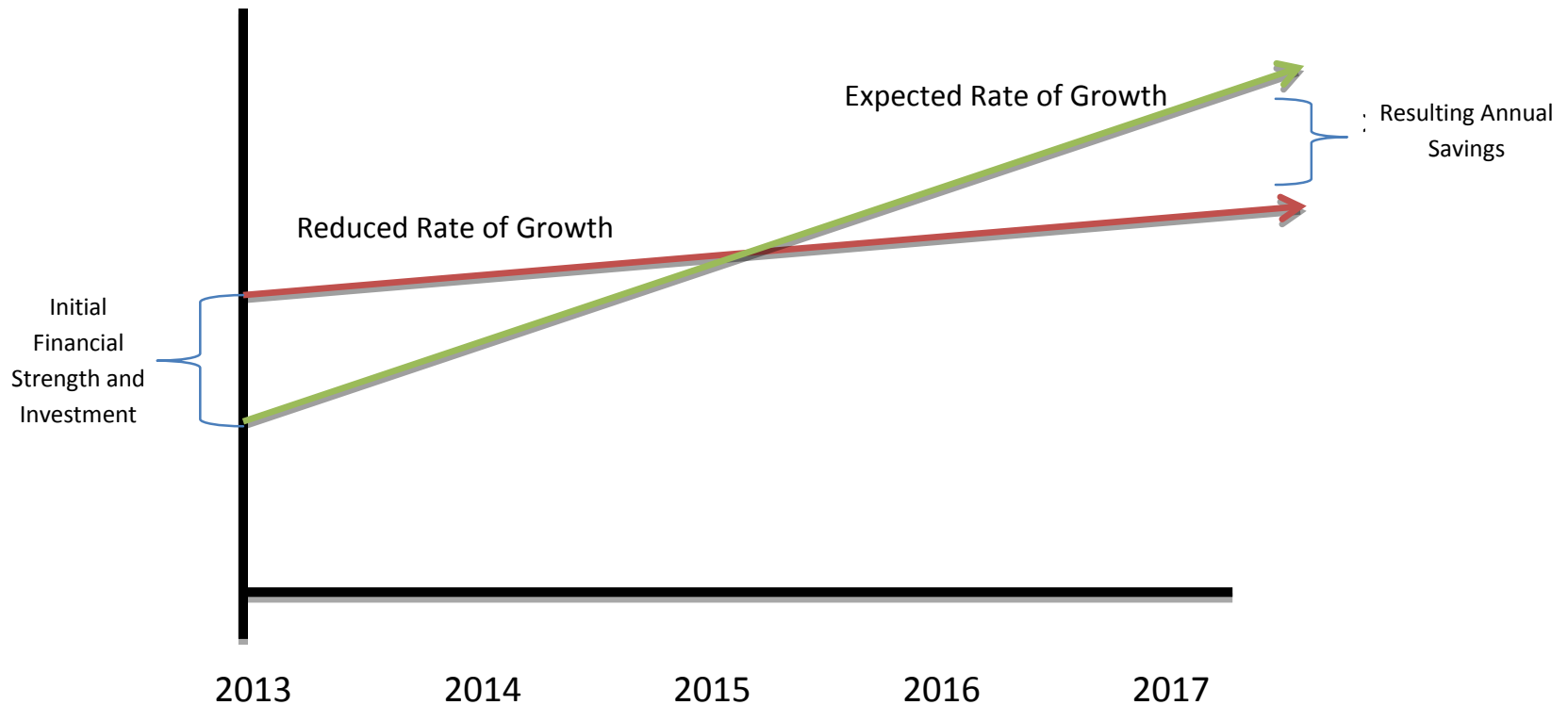


- **Key Point 2:** Health reform initiatives require strategic investments contained in our FY2013 budget.
  - Funding for accountable care operational resources and capabilities (our narrative outlined \$20.8M in accountable care related expenses)
  - Building infrastructure for State-wide network(s)
  - Providing financial sustainability during the transition from fee-for-service to risk-based payments
  - Maintaining access to a broad range of cost-effective services within Vermont

- **Key Point 3:** The potential benefits of a well-orchestrated IDS/Health Reform strategy are substantial.
  - True delivery system redesign is a challenging process
    - Consolidation
    - Coordination
    - Cost Optimization
  - FAHC is up to the challenge
    - Experience with risk contracting (Vermont Managed Care)
    - Quality and standards of care development (Jeffords Institute)
    - Commitment to lead change and assume a leadership role (IDS development, OneCare)
    - Core outcomes that show better than a 10% cost advantage over average cost of hospital care in Vermont (VHcures 2011 Report Card).
    - A 10% cost differential on a \$2 billion hospital expenditure base could yield upwards of \$200 millions in savings.

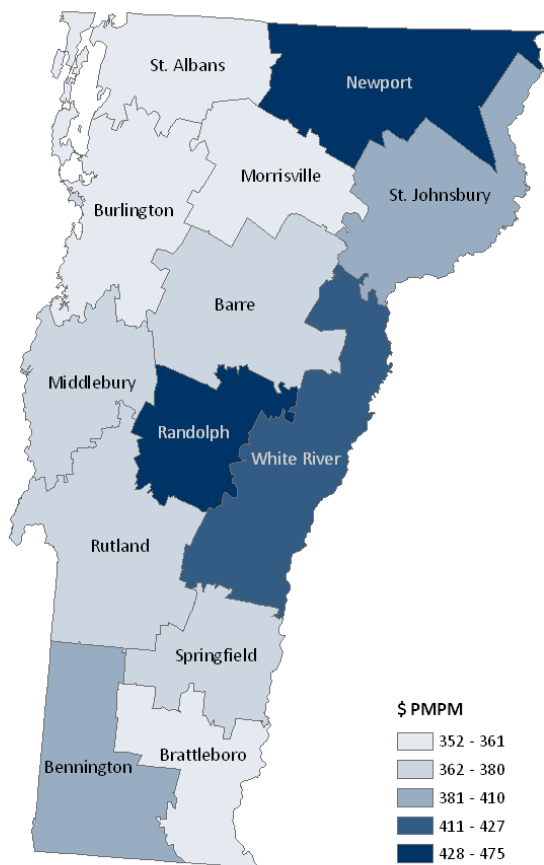
# Fletcher Allen Health Reform Vision

- So what is the value of this “investment”?





# Total Adjusted Payments PMPM by HSA



VHCURES: Key Findings & Highlights from Vermont's 2011 Report Card – November 2011

- **Key Point 4:** A strong, high-capacity FAHC with modern facilities and technology should be a very high priority under reform.
  - Lower cost per unit
  - Access
  - Cost of going out of state
  - Quality/Outcomes (infection prevention, modern standards of care)
- Will require us to design such facilities and technology for the appropriate access and capacity under a reformed delivery system with a population focus.
- Requires a solid margin and support of our IDS leadership vision

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# Fletcher Allen Health Care in Summary

- Top Quartile Performer: Quality and Low Cost Care
- Development of Integrated Delivery System through Fletcher Allen Partners
- Positioned Well for Transitioning Health Care Environment
- Need for 4% Operating Margin to Maintain Capabilities and Support Capital Investment at Industry Norms
- Need for A-level Credit Rating to Access Credit at Competitive Rates and Support Taking on Health Care Delivery Risks